

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, November 29, 2017 10:00 am – 12:00 pm
Seattle Municipal Tower, Room 4080

TRUSTEES present: Teri Allen, Bill Alves, Jeff Davis, Scott Fuquay, Brian Smith and Susan Coskey (arrived 11:09).

STAFF present: Renee Freiboth, SDHR; Michelle Ell, SDHR; Tony Dozier; SDHR; Carlton Seu CAO;

CONSULTANTS present: Jake O'Shaughnessy & Stuart Payment, SageView Advisory Group;

GUESTS present: Kent Morris, Kristopher Morton, Susan Wilson, Olivia Anastasi, and Andee Gravitt from Nationwide; Dena Herbolich, Moss Adams; Dennis Karl, IAFF Local 27.

BUSINESS

Opening: Teri Allen, the Committee Chair, started the meeting at 10:04 am.

Introductions: All attendees introduced themselves.

Minutes of September 27, 2017 Regular Meeting: Teri asked for a review of these meeting minutes. There were no corrections and the meeting minutes were deemed accepted.

Moss Adams: Dena Herbolich presented the results of the audit for 2016. She explained the change from the FASB (Financial Accounting Standards Board) to GASB (Government Accounting Standards Board) in this year's accounting method is recommended due to anticipated financial reporting changes in 2020. One of the changes in this year's audit is the addition of the Management Discussion and Analysis. The audit is complete, and no deficiencies were identified. The audit will be approved by the Committee Chair after the meeting.

Nationwide: Andee Gravitt explained that plan assets were up 3.3% due to plan gains. The plan added 200 new participants and over 900 participants had increased their deferral rates last quarter. 33 participants signed up for the ProAccount product, bringing the total number to 46, with \$5.5 million under management. Average deferrals in the plan are \$289 per employee, while it is \$180 across similar plans. Scott suggested staff target retirees about distributions options and research trends. Michelle, Andee, and Jake discussed strategies and communication efforts towards the retiree demographic. Andee noted that 24% of participants have loans, but that overall value of outstanding loans is low.

Kris Morton mentioned that plan participation is currently at 40.2%. He suggested that plan success might be measured by increasing participation to 54.8% which is the current participation rate of employees who are age 46 – 55. He shared that 65% of the participants are invested in at least one of the Target Date Funds and that the plan is well diversified. 44% of new contributions are going into TDFs. Bill also asked if auto-enrollment might be a good

feature for the plan. Andee responded that there is generally a good participation rate for plans with auto-enrollment. Jake added that Washington State, as do many states, may have an anti-garnishment provision that would not allow this plan feature. Michelle mentioned that Plan Staff was working with Nationwide to implement an EZ Enroll form to simplify the enrollment process and hopefully increase participation. Andee confirmed for Teri that participants defaulted into the TDFs remain invested in the TDFs. Andee said that Nationwide had failed their SLA on 2 withdrawals, resulting in a \$1,000 credit to the Plan.

Susan Wilson stated that the Education Office has had a very busy quarter, and that they are at 120% of their plan goal for in-person meetings – the SLA is for 10 meetings a day, in October they averaged 22 meetings a day.

SageView Advisory: Jake presented the Q3 Executive Summary for Sageview. He noted that overall market conditions have been favorable and that the Federal Reserve is expected to slow its pace of raising interest rates in 2018. Sageview recommends that no further action needs to be taken on the Calvert Equity, but that it should continue to remain on watch. He also stated that the Principal Diversified Real Asset fund was performing as expected for the current market conditions, in line with the Fund's custom benchmark, and that no further action should be taken at this time.

Jake also spoke about potential legislation that may affect the Plan. While discussion is still ongoing, there has been some discussion regarding elimination of the 10% early withdrawal tax exemption for 457 Plans and the last 3-year special catch-up feature.

Staff Update:

Participant Outreach: Michelle explained that the Lunch and Learn seminars had been scheduled for 2018, mainly focusing on 457 basics and outreach to those who are 3-5 years away from retirement. Additional seminars regarding Health Care Costs and Social Security have also been scheduled. Scott asked about targeting female employees to help urge them to save. Teri and Susan would also like to promote the plan to young and seasonal employees. Michelle stated staff will incorporate these requests into the 2018 outreach plan.

Employee Data Privacy: Michelle presented the Scope of Work (SoW) document for the Data Privacy project. Teri requested that a review the City's data transmission to ADP be incorporated into the project as well. The SoW will be updated further with feedback from Teri. The Committee agreed with allowing staff to move forward with the project.

Committee Membership: Michelle mentioned that the Committee will need to elect a Chair since Teri Allen's term will expire shortly.

MOTION: Susan Coskey moved that the Teri Allen continue as Committee Chair for a two-year term ending January 2020. Scott Fuquay seconded. All members approved the motion, except for Teri Allen, who abstained from the vote.

Executive Session: Teri Allen moved the meeting into Executive Session to discuss litigation or legal risks of a proposed action or current practice. The Executive Session commenced at approximately 11:45 and concluded at 11:59am.

Adjournment: Teri Allen moved to adjourn the meeting at 12:00. The meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, January 24, 2018 at 10:00am in the Seattle Municipal Tower, Conference Room 4080.

FINAL